



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada

SUBJECT: SEE BELOW

DATE: May 31, 2005

Approved /s/

Date 06/02/05

**SUBJECT: CAPITAL PERFORMANCE MEASUREMENT CHANGES IN THE
2006-2010 PROPOSED OPERATING AND CAPITAL BUDGETS**

The purpose of this report is to provide an update on performance measurement results for the capital program that are reflected in both the Proposed Capital and Operating Budgets. The following table shows the results of the delivery cost, quality, and customer satisfaction performance measurements for FY 2004-2005:

City-Wide Capital Program Performance Measures

5-Year Strategic Goals	Performance Measures	2006-2010 5-Year Goal	2004-2005 1-Year Target	2004-2005 Estimate	2005-2006 1-Year Target	2006-2007 2-Year Target
Deliver quality CIP projects on-time and on-budget	1. % of CIP projects that are delivered * within 2 months of approved baseline schedule	85%	85%	76% 154/202	85%	85%
	2. % of CIP projects that are completed ** within the approved baseline budget	90%	90%	86% 51/59	90%	90%
	3. % of project delivery costs (exclusive of City-wide overhead) compared to total construction costs for completed projects with construction costs:					
	less than \$500,000-	31%	31%	45%	31%	31%
	between \$500,000 and \$3M-	23%	23%	34%	23%	23%
	greater than \$3M-	15%	15%	26%	15%	15%
	Total (all construction projects) -	-	-	29%	-	-
	4. % of operations and maintenance divisions rating new or rehabilitated capital facilities as being functional and sustainable after the first year of use	80%	80%	69%	80%	80%
	5. % of public customers rating new or rehabilitated CIP projects as meeting established goals (4 or better based on a scale of 1-5)	85%	85%	73%	85%	85%

Notes:

* Projects are considered to be "delivered" when they are available for their intended use.

** Projects are considered to be "completed" when final cost accounting has occurred the project has been accepted.

Delivery Costs

Project delivery cost results are being presented for the first time. As previously reported, the City changed to a new accounting system during the last few years, allowing project expenditures to be accounted by phases and enabling delivery costs to be calculated. Results have been calculated based on the 36 projects accepted during FY 2004-2005 for which data is available under the new cost accounting structure. While this relatively small sample size may not be representative of overall delivery performance, staff continues to collect, report and analyze delivery cost data to help identify areas in the project delivery process where improvements may be needed.

The preliminary estimates show higher delivery costs associated with smaller construction projects. This is largely due to common delivery processes such as bidding, awarding, and community involvement that are necessary for projects of all sizes. For example, projects with smaller budgets may go through the same level of community involvement as larger projects yet the construction costs may be much smaller, resulting in a higher project delivery calculation.

Quality Performance

The performance measurement for quality is derived from surveys in which operations and maintenance groups provide their opinions on completed capital projects. Operations groups measure how well the projects function and serve the purposes specified during project scoping. Maintenance groups are asked to rate how sustainable projects are in terms of maintenance. Because most projects have a one-year warranty period provided by the contractors and because of the training of operators and maintenance staff on new or modified facilities, surveys for capital projects are conducted after a facility has been in operation for one year.

The first operations and maintenance surveys were conducted this fiscal year for 26 projects that reached beneficial use in FY 2003-2004. Because these performance measurements are new, staff conducted surveys on a representative sample of projects to assess the surveying process. The average survey result of 69% is lower than expected and could be attributed to unanticipated issues on new items installed for the first time in San Jose, such as a dog park, skate-park, water feature, or a new type of equipment. Project implementation staff are working with maintenance groups to ensure that current issues are corrected. The data and comments collected from the surveys will aid project delivery staff in improving future projects.

Customer Satisfaction

The customer satisfaction performance measurement gathers public feedback on completed capital projects. These surveys are conducted after a project has been delivered and in use. Most CSAs conducted surveys on users of facilities, such as in libraries, parks and public buildings. Some CSAs conducted surveys of residents and businesses impacted by the construction of the project as it is difficult to obtain useful public feedback on projects such as sewers, runways, sidewalks and traffic signals.

Customer satisfaction surveys were conducted for 24 projects that reached beneficial use this fiscal year. Customers were generally pleased with the new capital improvements and

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appearance of projects. An area that has been identified as where improvements could be made is in keeping the public more informed on projects. The Capital Projects Management System is being improved to provide better public access that should help improve this type of communication.

Staff is analyzing survey results for both the quality and customer satisfaction measurements to determine what type of improvements should be incorporated into future projects. Staff is also evaluating more effective methods of conducting these surveys, including improvements to the structure and format, which will yield a higher percentage of returned surveys.

Through this effort, it has become apparent that the planning, development and community involvement aspects of the City's capital projects should also be tracked for performance. A performance measurement should be developed that monitors the City's ability to manage the early stages of a project lifecycle and identify areas where improvements can be made. Staff will evaluate and develop a useful performance measure, with appropriate targets, and present it to the City Council within the next year.

In summary, staff is working diligently to deliver a record number of projects to the citizens of San Jose. Hundreds of projects have been delivered on time and under budget and will continue to strive to meet performance targets, and new accounting structures have been implemented to facilitate data collection. As such, future performance targets and 5-year goals are consistent with current targets until performance data demonstrate that targets should be adjusted to reflect each CSA's ability to achieve these goals. Staff will continue to collect data on capital project performance and will report results in the 2004-2005 year-end report in Fall 2005.

/s/

ED SHIKADA

Deputy City Manager